

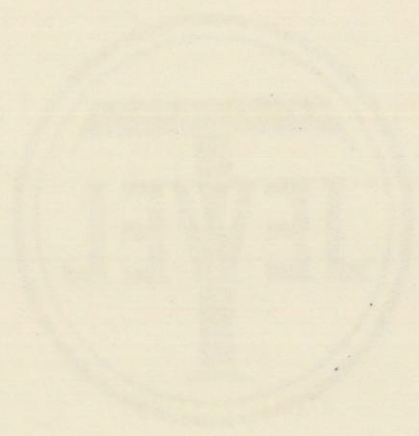
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ANNUAL REPORT—1928

JEWEL TEA CO., INC.
NEW YORK CHICAGO



JEWELL TEA CO. INC.
NEW YORK CHICAGO

JEWEL TEA CO., INC.

GENERAL OFFICES

FIVE NORTH WABASH AVENUE

CHICAGO, ILLINOIS

DIRECTORS:

JOHN M. HANCOCK, *Chairman*

HENRY S. BOWERS

M. H. KARKER

F. M. KASCH

ARTHUR LEHMAN

HERBERT H. LEHMAN

JOHN C. REGAN

FRANK P. ROSS

ARTHUR SACHS

OFFICERS:

JOHN M. HANCOCK

Chairman of the Board of Directors

M. H. KARKER, *President*

JOHN C. REGAN, *Vice-President*

H. J. TAYLOR, *Vice-President*

F. M. KASCH, *Treasurer*

W. D. SMITH, *Secretary*

ROBERT W. MUIR, *Asst. Secy.*

TRANSFER AGENT:

IRVING TRUST COMPANY, 60 Broadway, New York City

REGISTRAR:

LAWYERS TRUST COMPANY, 160 Broadway, New York City

AUDITORS:

TOUCHE, NIVEN & CO., *Public Accountants, New York and Chicago*

JEWEL TEA CO., INC.
FIVE NORTH WABASH AVENUE
CHICAGO, ILL.

February 9, 1929.

TO THE STOCKHOLDERS:

THE balance sheet of your company for the fiscal year ended December 29, 1928, together with statements of income and surplus accounts, is presented herewith.

Net profit for the year, after taxes, was \$1,530,888.70 as compared with \$1,261,391.38 for 1927. Earnings were at the rate of \$11.55 per share on 120,000 shares of common stock, after providing for the regular 7% dividend on the 20,620 shares of preferred stock outstanding at the end of the year.

The first dividend on common stock was paid in April, 1928, and quarterly payments of \$1 per share were continued thereafter. An extra dividend of \$1 per share was paid in December. During the year \$796,350.50, or about 52% of earnings, was declared in dividends on the stocks of the company. The balance sheet value of good-will was reduced from \$120,000 to the nominal value of \$1. The surplus account was closed with a net balance of \$1,704,313.95.

Total sales amounted to \$15,970,892.55, an increase of \$1,438,556.29 for the year. Improved merchandising plans and greater efficiency in selling increased the average sale per customer and contributed largely to this showing. Average sales per operating unit were the highest in the history of the business. During the year the number of units in operation increased from 1,096 to 1,121 and plans for the new year provide for further expansion at a somewhat higher rate.

Total expenses compare favorably with 1927 and show increases in salesmen's compensation and freight consistent with greater sales. Net working capital was \$3,252,376.64, and the ratio of current assets to liabilities was 4.11 to 1. All acceptances arising from the importation of green coffee were paid in full before the close of the year.

At a special meeting in December, 1928, the stockholders authorized an increase in the common stock from 120,000 to 300,000 shares; 40,000 shares to be offered to the common stockholders of record December 21, 1928 at \$100 per share, on the basis of one new share for every three shares held. Stock subscription warrants were exercised in full on January 18, 1929, and the funds thus provided will be used for the retirement of the preferred stock and for additional working capital and other corporate purposes. On December 29, 1928, there were 4,980 shares of preferred stock in the treasury, of which 4,380 shares were purchased during the year. The Board of Directors on December 11, 1928 called for redemption on April 1, 1929 all the preferred stock outstanding and in the treasury, at \$125 per share and accrued dividends. A pro forma restatement of net worth, after giving effect to the sale of 40,000 shares of additional common and to the forthcoming retirement of the preferred, follows the usual statements in this report. Earnings for the year 1928 were at the rate of \$9.57 per share on a capitalization of 160,000 shares of common stock, which will be the company's capitalization after April 1, 1929.

The company has acquired a plant site at Barrington, Illinois, a suburb of Chicago, and a modern headquarters office and midwest plant will be erected thereon. This plant should be ready for occupancy in the spring of 1930.

The experimental merchandising of coffee through retail stores was continued in a portion of the metropolitan New York market and in Hartford, Conn., and the cost of operations in the development of that method of marketing was charged to the reserve for contingencies. \$120,000 was appropriated from surplus for that purpose.

The results of the operations of your company for the year 1928 show continued progress and are evidence of the confidence of stockholders and customers and of the earnest and effective work of the whole organization. The management is happy to express its sincere and grateful appreciation to all those who had a part in this accomplishment.

M. H. KARKER, *President.*

For the Board of Directors:

JOHN M. HANCOCK,

Chairman.

JEWEL TEA

BALANCE SHEET, 1

ASSETS

CURRENT ASSETS:

Cash		\$ 805,298.44	
Marketable securities (at cost or market, whichever is lower) and interest:			
United States Liberty Bonds	\$ 960,967.61		
Federal Land Bank Bonds	300,414.32		
		1,261,381.93	
Common stock held for employees, at cost less payments thereon		58,349.14	
Accounts receivable:			
Trade customers	\$ 294,265.50		
Miscellaneous	78,469.06		
	\$ 372,734.56		
Less Reserve for doubtful accounts	80,522.15		
		292,212.41	
Inventories at cost or market, whichever is lower:			
Groceries	\$1,367,757.43		
Premiums	449,971.82		
		1,817,729.25	
Trust fund investments			
(Sundry deposits, per contra)		64,513.31	
		\$4,299,484.48	

DEFERRED CHARGES:

Premium merchandise (at cost) advanced to customers	\$ 929,919.22		
Less Reserve for doubtful accounts	167,509.80		
		\$ 762,409.42	
Prepaid expenses, insurance, rents, etc.		87,983.55	
Inventory of expense supplies		37,346.18	
		887,739.15	

CAPITAL ASSETS:

Land and buildings	\$ 94,814.74		
Machinery, furniture and fixtures at plants	449,668.55		
Delivery and branch equipment	796,458.92		
	\$1,340,942.21		
Less Reserve for depreciation	929,723.50		
		411,218.71	

GOODWILL

1.00

\$5,598,443.34

We have audited the books and accounts of the JEWEL TEA CO., INC. for the panying income and surplus accounts are in accordance therewith, and exhibit, in our opinion operations for the period then ended.
CHICAGO, ILLINOIS, January 31, 1929.

A CO., INC.

DECEMBER 29, 1928

LIABILITIES

CURRENT LIABILITIES:

Letters of credit.....	\$ 208,700.00
Accounts payable.....	99,328.48
Federal income taxes 1928.....	182,087.57
Dividends payable.....	192,148.00
Sundry accruals.....	300,330.48
Surety deposits (Trust fund investments, per contra).....	64,513.31
	<u>\$1,047,107.84</u>

RESERVE FOR CONTINGENCIES..... 149,521.55

NET WORTH (Capital and Surplus):

7% Cumulative preferred stock having par value of \$100.00
per share:

Authorized and issued.....	25,600 shares	\$2,560,000.00
Less in Treasury.....	4,980 shares	498,000.00

Outstanding.....	20,620 shares	\$2,062,000.00
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Called December 11, 1928, for redemption on April 1, 1929 @ \$125.00 per share.....	\$2,577,500.00
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Balance represented by 120,000 shares of no par value common stock, having an assigned value of \$1.00 per share, issued and outstanding (per annexed statement).....	1,824,313.95
	<u>4,401,813.95</u>

CONTINGENT LIABILITY:

For letters of credit issued against coffee contracts not shipped at December 29, 1928.....	\$90,800.00
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\$5,598,443.34

year ended December 29, 1928, and hereby certify that the above balance sheet and accom-
panying statement of the financial position of the Company at that date and the results of

TOUCHE, NIVEN & CO.,
Public Accountants.

JEWEL TEA CO., INC.

INCOME ACCOUNT FOR THE YEAR ENDED

DECEMBER 29, 1928

NET SALES.....	\$15,970,892.55
LESS COST OF SALES, including raw materials, labor, supplies, operating expenses, depreciation, etc.....	14,470,531.39
NET PROFIT FROM OPERATIONS.....	\$ 1,500,361.16
OTHER INCOME:	
Interest and discount earned.....	\$175,752.81
Miscellaneous	36,862.30
	<u>212,615.11</u>
NET PROFIT, before providing for federal income taxes.....	\$ 1,712,976.27
LESS provision for federal income taxes.....	182,087.57
NET PROFIT FOR THE YEAR.....	<u>\$ 1,530,888.70</u>

COMMON STOCK AND SURPLUS ACCOUNT

DECEMBER 29, 1928

SURPLUS:	
Balance, January 1, 1928.....	\$1,849,146.69
Net profit for the year, as per income account.....	1,530,888.70
	<u>\$3,380,035.39</u>
Deduct:	
Dividends—	
On preferred stock.....	\$198,117.50
On common stock.....	598,233.00
	<u>\$796,350.50</u>
Reduction of Goodwill to the nominal value of \$1.00.....	119,999.00
Appropriated for reserve for contingencies.....	120,000.00
Premiums on preferred stock purchased in 1928 and on preferred stock outstanding, called on December 11, 1928 for retirement on April 1, 1929, less adjustment on sales of common stock to employees.....	639,371.94
	<u>1,675,721.44</u>
Balance, December 29, 1928.....	\$1,704,313.95
CAPITAL STOCK—no par value common stock having an assigned value of \$1.00 per share, 120,000 shares issued and outstanding.....	120,000.00
As per Balance Sheet.....	<u>\$1,824,313.95</u>

JEWEL TEA CO., INC.

PRO FORMA RESTATEMENT OF NET WORTH

(After giving effect as at December 29, 1928 to the sale of 40,000 shares of Common Stock, consummated January 18, 1929, and the redemption of the balance of the Preferred Stock called December 11, 1928 for redemption on April 1, 1929)

NET WORTH:

Capital and surplus, represented by no par value common stock having an assigned value of \$1.00 per share:

Authorized	300,000 shares	
Unissued	140,000 shares	
Issued and outstanding	<u>160,000 shares</u>	<u>\$5,824,313.95</u>

CAPITAL STOCK AND SURPLUS:

Surplus—

Balance, December 29, 1928, as per previous statement	\$1,704,313.95
Add surplus derived from sale of 40,000 shares of no par common stock consummated January 18, 1929	<u>3,960,000.00</u>
	<u>\$5,664,313.95</u>

Capital stock—

No par value common stock having an assigned value of \$1.00 per share:

Authorized	300,000 shares	
Unissued	140,000 shares	
Issued and outstanding	<u>160,000 shares</u>	<u>160,000.00</u>
		<u>\$5,824,313.95</u>

COMPARATIVE SALES AND NET EARNINGS

Year	No. of Units*	SALES		NET EARNINGS	
		Weekly Average Per Unit	Total	On Sales	On Common Stock
1921	1,005	\$206.30	\$11,210,388	2.87%	\$ 0.56
1922	994	197.69	10,240,810	1.49%	—
1923	998	241.87	12,554,875	4.97%	3.08
1924	1,030	255.47	13,602,745	6.29%	5.00
1925	1,059	256.33	14,178,478	5.92%	4.87
1926	1,090	260.52	14,568,258	8.64%	8.89
1927	1,096	256.07	14,532,336	8.68%	9.05
1928	1,121	277.68	15,970,893	9.55%	11.55

*Number of units in operation at end of year.

